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CHIEF EXECUTIVE OFFICE
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Chief Executive Officer

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

1 JUNE 20, 2011

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June 20, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

REQUEST FOR APPROPRIATION ADJUSTMENT TO VARIOUS BUDGET UNITS AND AUTHORIZATION TO EXECUTE FUNDING AGREEMENTS FISCAL YEAR 2010-11 (ALL DISTRICTS AFFECTED) (4-VOTES)

SUBJECT

Board approval is recommended for a number of budget adjustments that are needed to realign and adjust the Fiscal Year 2010-11 Final Adopted Budget of various County departments and capital projects.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the attached operating budgets appropriation adjustments necessary to realign and adjust the Fiscal Year 2010-11 Final Adopted Budget, which is based on changing financial needs of various County budget units (Items 1 - 27).

2. Approve the attached appropriation adjustments necessary to realign and adjust the Fiscal Year 2010-11 Final Adopted Budget to address the financing requirements of certain capital projects.

3. Find that the proposed capital project actions do not meet the definition of a project under the California Environmental Quality Act, as cited herein.

4. Authorize the Chief Executive Officer to execute funding agreements with the Pomona Community Health Center for construction costs related to the expansion of the Pomona Community Health Center and with the LA Plaza de Cultura y Artes Foundation for capital improvements and operating expenses of LA Plaza de Cultura y Artes.

5. Authorize the Executive Officer of the Board of Supervisors to execute funding agreements with the Los Angeles Unified School District for costs associated with improvements to Fairfax Athletic Field; the City of West Hollywood for the construction of the West Hollywood Public Library; and the Wallis Annenberg Center for Performing Arts for construction expenses related to the improvements at the Wallis Annenberg Center for Performing Arts.

6. Direct the Chief Executive Officer to revise the Board of Supervisors Policy 4.030 – Budget Policies and Priorities to update the County's policy as outlined in this report.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Operating Budgets

We are committed to improve the process of monitoring and reporting the budget status of each budget unit, which includes making mid-year adjustments as necessary. As a result, we are submitting mid-year budget adjustments to properly align and adjust the current-year budget based on financial information provided by the departments and concurred with by this office. As the fiscal year progresses, additional adjustments may be necessary to further refine the budget and reflect the changing financial needs of County departments.

The following explains the operating budget appropriation adjustments for consideration based on information available at this time:

Children and Family Services

1. Transfers $9,000,000 from the services and supplies appropriation to the salaries and employee benefits appropriation for the Department of Children and Family Services' Administrative budget unit. This transfer is needed to offset a projected deficit in the salaries and employees benefit budget primarily due to the hiring of additional 120 Children's Social Workers and increases in overtime to address the backlog of emergency response referrals.

District Attorney

2. Reflects a reduction of $1,320,000 in services and supplies appropriation, a $280,000 reduction in capital assets-equipment and a $1,958,000 increase in salaries and employee benefits appropriation. In addition, this adjustment also recommends increases in intrafund transfers ($8,000) and revenue of $350,000. This adjustment is needed to offset a projected deficit in the department's salaries and employee benefits' appropriation.

Fire Department

3. Reflects the transfer of $317,000 in services and supplies appropriation to capital assets-equipment appropriation in the department's Specials Services budget unit. This transfer is needed to facilitate the purchase of capital equipment to meet the operational needs of the district.

4. Reflects the transfer of $338,000 in funding from the Nondepartmental Special Accounts budget to the Fire-Lifeguard budget related to unanticipated costs increases ($204,000) and revenue losses ($134,000).

Graffiti Abatement

5. Reflects the transfer of $132,000 in funding from the Provisional Financing Uses budget unit to the Board of Supervisors to help combat graffiti in the unincorporated areas of the First Supervisorial District.

Gang Strategy Programs

6. Reflects the transfer of $100,000 from the CEO's budget to the Department of Parks and Recreation budget to support the Parks-After-Dark Program operated by the department.

Insurance Budget

7. Reflects the transfer of $4,750,000 from the services and supplies appropriation to the other charges appropriation of the Insurance budget along with corresponding adjustment to the applicable expenditure distribution accounts. This transfer is necessary to properly fund a Board-approved automobile liability case.

Parks and Recreation – Landscape Maintenance Districts and Landscaping and Lighting Act Districts (LLAD)

8. Reflects the transfer of $11,000 from the West Creek Copperhill Estates LLAD to the West Creek Copperhill Estates LLAD (Zone 69) Repairs/Replacement Fund to properly account for underground pipeline repairs and replacements.

9. Reflects the transfer of $34,000 from the West Creek Park LLAD to the West Creek Park LLAD (Zone 77) Repairs/Replacement Fund to properly account for underground pipeline repairs and replacements.

10. Reflects a $12,000 increase in services and supplies and benefit assessment revenue for the Old Road Area (Zone 78) LLAD to account for and allow payment obligations to be properly recorded.

11. Reflects a $16,000 increase in services and supplies and benefit assessment revenue for the Old Road Local (Zone 79) LLAD to account for and allow payment obligations to be properly recorded.

Probation

12. Reflects the transfer of $4,202,000 from PFU to the Probation Department's Support Services budget unit to fully fund expenditures related to the development and implementation of the Probation Medical Records System ($3,620,000) and Case Management System ($582,000), both of which are Board-approved contracts.

Public Health

13. ***Antelope Valley Rehabilitation Center*** – Reflects an appropriation shift of $500,000 from salaries and employee benefits to services and supplies to fund various services related to the implementation delay of the Warm Springs closure.

14. ***Antelope Valley Rehabilitation Center*** – Reflects the transfer of $263,000 from the budget unit's salaries and employee benefits appropriation to its services and supplies appropriation to reimburse County disaster budget for repair work that is no longer eligible to disaster reimbursement.

Public Social Services Assistance

15. Reflects the reduction of $10,000,000 in appropriation from the CalWORKs assistance budget, a reduction of $20,202,000 in appropriation from the In-Home Support Services assistance budget and a $34,303,000 increase in the General Relief/Indigent Aid (GR/IA) budget. In addition, we are recommending a $4,101,000 increase in federal revenue that fully offsets these changes in appropriation. This adjustment is needed to provide sufficient appropriation authority for the GR/IA assistance budget to meet projected GR caseload levels for the current year.

Public Works

16. ***Road Fund*** - Reflects the transfer of $36,137,000 in appropriation from capital assets – equipment ($125,000) and capital assets – infrastructure ($36,012,000) to the following Road Fund designations: Designation for Capital Asset Replacement ($125,000); Designation for Road Facility Repairs and Upgrades ($14,712,000); and Designation for Proposition 1B Infrastructure Bond Funds ($21,300,000).

17. ***Internal Services Fund*** - Transfers $1,210,000 from the services and supplies appropriation to the Designation for Financial Systems ($1,000,000) and the Designation for Automated Fuel System Replacement ($210,000).

18. ***Flood Control District*** - Reflects the transfer of $22,767,000 from the district's capital assets-infrastructure appropriation to the services and supplies appropriation ($2,767,000) and Designation for Sediment Removal Projects ($20,000,000).

19. ***Proposition C Local Return Fund*** - Reflects an appropriation shift of $7,150,000 from capital assets – infrastructure and $17,489,000 from the appropriation for contingency to the Designation for Proposition C Local Return Capital Reserve Agreement ($24,639,000). This transfer will finance the cost of various capital improvement projects to be constructed over the next several years.

20. ***Waterworks District (Malibu)*** - Reflects an appropriation shift of $700,000 from capital assets – infrastructure to services and supplies to help finance operational needs of the district.

21. ***Waterworks District (Marina del Rey)*** - Reflects the transfer of $350,000 from capital assets – infrastructure appropriation of the Marina del Rey Waterworks Accumulated Capital Outlay (ACO) Fund to the Marina del Rey Waterworks District fund services and supplies appropriation to finance the purchase of water for customers and to support water system operations.

22. ***Waterworks District (Marina del Rey ACO Fund)*** - Reflects a decrease of $3,780,000 in the fund's Designation for Water System Improvement that is fully offset by a decrease in long-term debt proceeds revenue. This adjustment is needed to recognize that revenue from a State loan for the Marina del Rey Waterline Replacement Project will not materialize until fiscal year 2011-12.

23. ***Waterworks District (Antelope Valley)*** – Reflects an appropriation shift of $500,000 from the district's other charges appropriation to its services and supplies appropriation to help finance the operational needs of the district.

24. ***Waterworks District (Val Verde ACO Fund)*** – Reflects a reduction of the following accounts in the fund: capital assets – building and improvements ($492,000); capital assets – infrastructure ($640,000); and $568,000 from the Designation for Water System Improvement. This decrease is offset by a $1,700,000 increase in the fund's other charges appropriation to finance a waterworks settlement.

Rent Budget

25. Reflects the transfer of $2,446,000 from the budget unit's services and supplies appropriation to its other charges appropriation for unanticipated obligations.

Retiree Health Premium Refund

26. Reflects the transfer of $14,541,000 in net County cost savings from various departments to the General Fund's appropriation for contingency. This savings are the result of utilizing a retiree health premium reserve for two (2) months in fiscal year 2010-11. These savings will be carried forward to fiscal year 2011-12 and combined with three (3) additional months of savings for fiscal year 2011-12. The combined savings of $36.1 million will be used as a budget gap solution that was approved by your Board in the fiscal year 2011-12 Recommended Budget.

Trial Court Operations

27. Reflects a $2,100,000 increase in services and supplies appropriation that is fully offset by an equivalent increase from fines and forfeiture revenue. This adjustment is needed to recognize increases in collection enhancement program and its corresponding costs.

Capital Projects/Refurbishments Budget

Approval of the attached appropriation adjustments will realign and adjust the Fiscal Year 2010-2011 appropriations of several budget units related to the County's capital program with no net impact.

Affected Budget Units	Transfers from Operating Budget	Transfer to Operating Budget	Transfers for Project Shortfalls	Transfers for Realignments	Civic Art Transfers	Totals
Increases						
Capital Projects/ Refurbishments Budget	1,457,000	--	--	--	--	1,457,000
Departmental Operating Budget	--	59,000	--	--	--	59,000
Civic Art	--	--	--	--	57,000	57,000
Subtotal	1,457,000	59,000	--	--	57,000	1,573,000
Decreases						
Capital Projects/ Refurbishments Budget	--	(59,000)	--	--	(57,000)	(116,000)
Departmental Operating Budget	(1,457,000)	--	--	--	--	(1,457,000)
Subtotal	(1,457,000)	(59,000)	--	--	(57,000)	(1,573,000)
Total Net Impact	--	--	--	--	--	--

Approval of the attached appropriation adjustments will result in a net increase of $1,341,000 to the Capital Projects/Refurbishments Budget. There is no net change for adjustments made to realign project budgets. Specific recommendations affecting the Capital Projects Budget include:

I. Transfers from Departmental Operating Budgets/Funds

These adjustments reflect a net increase of $1,457,000 as follows:

- $1,399,000 from the Marina Accumulative Capital Outlay (ACO) Fund to Capital Project Number (C.P. No.) 88742 (Marina Seawall Refurbishment Project) to fund the shortfall in the project budget; and

- $58,000 from the Fire Department ACO Fund to fund project expenses for the completed FS 108 New Station Project, C.P. No. 70964.

II. Transfers to Departmental Operating Budgets

This adjustment reflects the transfer of $44,000 from C.P. No. 87031 (MacClaren Hall Various Improvements Project) and $15,000 from C.P. No. 77043 (First Supervisorial District Capital Improvements) to the Department of Children and Family Services' Operating Budget to fund renovations of the "D" wing at MacClaren Hall.

III. Transfers for Project Shortfalls

This reflects the transfer of $450,000 in project savings from C.P. No. 77560 (Lancaster Animal Shelter Expansion Project), which is a completed project, to fund the project shortfall for the following projects:

- $150,000 to C.P. No. 77536 (Lancaster Spay/Neuter Clinic Replacement Project);
- $150,000 to C.P. No. 77538 (Carson Animal Shelter Spay/Neuter Clinic Project); and
- $150,000 to C.P. No. 77539 (Baldwin Park Spay Neuter Clinic Project).

IV. Transfers for Realignment

These adjustments reflect the transfer of funds between budget categories or projects to properly align project funding with project requirements.

- $2,043,000 from the Criminal Justice Facility Temporary Construction Fund's Services and Supplies appropriation to the Other Charges appropriation to fund capital expenditures related to C.P. No. 86497 (Long Beach Courthouse Seismic Retrofit Project);
- $754,000 from C.P. No. 70956 (Pacoima-Barton Heliport Expansion Project), which is a cancelled project, to fund C.P. No. 89032 (Barton Heliport Fuel System Refurbishment Project);
- $1,250,000 from C.P. No. 86902 (Lennox Sheriff Station Refurbishment Project) to C.P. No. 77605 (Lennox Library and Community Center Project) to complete preparatory work on the project site.

- $70,000 from the Building and Improvements appropriation to the Land appropriation for C.P. No. 77128 (Santa Monica Canyon Channel Diversion Project) to cover project expenses for land easements and right of way access; and

- $345,000 from C.P. No. 86980 (Zuma Beach Clarifier Tank Project) to C.P. No. 86859 (Zuma Beach Restroom Maintenance Yard Septic System Project) to combine the projects into a single construction contract.

V. Civic Art Transfer

The Civic Art Policy of 2004 requires that an amount equal to one percent of the construction and design allocations of each capital project be contributed to public art. The following adjustments reflect the transfer of $57,000 to the Civic Art Special Fund to fund art on County capital projects:

- $7,000 from C.P. No. 69552 (Alondra Park New Restroom Project);

- $6,000 from C.P. No. 86982 (Athens Park Gymnasium Refurbishment Project);

- $4,000 from C.P. No. 86984 (Athens Park Tennis Courts Refurbishment Project);

- $14,000 from C.P. No. 69631 (Jesse Owens Park New Restroom Project);

- $6,000 from C.P. No. 86986 (Ladera Park Basketball Court and Baseball Field Refurbishment Project); and

- $20,000 from C.P. No. 86399 (Ted Watkins Memorial Park General Improvements Project).

Project and Facility Development Budget

It is recommended that $5,199,000 be transferred to the Project and Facility Development Budget (PFD) as follows:

- $1,149,000 from the Treasurer and Tax Collector's Trust Fund (S2L) to transfer excess Malibu Sewer Funds to the City of Malibu;

- $50,000 from Provisional Financing Uses for a funding agreement with Pomona Community Health Center for construction costs related to the expansion of the Pomona Community Health Center; and

- $4,000,000 from First Supervisorial District's Community Program Funds for a funding agreement with LA Plaza de Cultura y Artes Foundation for capital improvements and operating expenses of LA Plaza de Cultura y Artes.

In addition, it is recommended to transfer $3,050,000 from the PFD Services and Supplies appropriation to the Other Charges appropriation to properly align available financing with financing requirements.

Funding Agreements

Approval of the recommended action will also authorize the CEO to execute funding agreements not to exceed $4,050,000 from the Project and Facility Development Budget to the Pomona Community Health Center to assist in the completion of the Pomona Community Health Center Expansion ($50,000) and with the LA Plaza de Cultura y Artes Foundation for capital improvements and operating expenses of LA Plaza de Cultura y Artes ($4,000,000). Supervisor Molina is an uncompensated member of the Foundation's Board of Directors. As the Foundation's primary purpose is to support the Board of Supervisors in the rehabilitation and development of the El Pueblo properties, County Counsel has advised that the conflict of interest laws would not preclude the County from executing this funding agreement provided that the Supervisor's service on the Foundation's Board is disclosed and noted on the official record.

In addition, approval of the recommended action will authorize the Executive Officer of the Board of Supervisors to execute funding agreements, totaling $750,000 from the Third Supervisorial District's Equal Budget Allocation, with:

- Los Angeles Unified School District, in the amount of $250,000 for costs associated with the Fairfax Athletic Field Improvements;

- City of West Hollywood, for $250,000 for assistance in construction costs of the West Hollywood Public Library; and

- Wallis Annenberg Center for Performing Arts, in the amount of $250,000 to contribute to the construction costs of the Wallis Annenberg Center for the Performing Arts.

Budget Policy Regarding Forfeited Health Care Spending Accounts

On February 3, 1998, your Board established a policy that all forfeited employees' dependent care spending account monies would be used at County operated child care centers for facility and/or program enhancements. Up until now, no County policy exists regarding forfeited employees' health care spending account monies. In the 2011-12 Recommended Budget, your Board approved the one-time use of $8.0 million in forfeited health care spending account monies, which had accumulated over time, to help close the County's budget gap. Consistent with this approach and going forward, we are recommending that your Board establish a policy that forfeited employee health care spending account monies be transferred to the County's Reserve for Rainy Day Fund at the end of each fiscal year.

Implementation of Strategic Plan Goals

The recommended actions are consistent with principles of the Countywide Strategic Plan Goal 1: Operational Effectiveness. Among other things, this goal promotes fiscal sustainability through sound, prudent, and transparent short-and long-range fiscal policies and practices that help ensure maintenance of critical, high-priority County public services.

FISCAL IMPACT/FINANCING

Operating Budgets

The recommended adjustments have no overall net County cost impact since they are financed with the transfer of existing funding from one budget unit or designation to another or are offset with operating revenues.

Capital Project Budgets

The recommended actions will have no net impact to the County Budget. A summary of the attached appropriation adjustments and the impact on various fund groups is provided in Attachment A.

ENVIRONMENTAL DOCUMENTATION

The proposed actions are exempt from the California Environmental Quality Act (CEQA) in that the actions do not meet the definition of a project according to Section 15378(b)(2)(4)(5) of the State CEQA Guidelines because the actions are administrative activities that do not involve any commitments to any specific projects which may result in a potentially significant physical impact to the environment.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the attached budget adjustments will allow your Board to realign and appropriate funding to more accurately reflect the spending needs of departments and this office using the most recent information available and provide sufficient appropriation to continue the design and/or construction of capital projects.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SK:CA:DJT
MM:SW:CF:yjf

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller

2010-11 MidYear BA 2.bl